

# DOLLARS & SENSE

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## Introduction

The Office of the Commissioner of Higher Education and the Montana University System-Office of Student Financial Services, is committed to providing tools that enable financial responsibility. We encourage you to receive education and training that may increase your earning potential as you move into the future.

The purpose of this publication is to provide a resource that will help develop financial literacy skills. We will share helpful tips on money management, budgeting, and financial aid.

Questions to think about while reading are:

- ✖ What goals do I have for my future?
- ✖ How do I start managing my money now, so I can accomplish my future goals with a minimum amount of debt?
- ✖ What can I do to increase my gross pay?
- ✖ How do I prepare a budget?
- ✖ What is credit?
- ✖ When is credit an advantage and when is it a disadvantage?
- ✖ What should I know about financial aid?

Start becoming financially responsible today by visiting [www.mus.edu/Prepare](http://www.mus.edu/Prepare) to build your own budget and receive the latest financial literacy information.



# Goals & Money Management

## Why is money management important?

Throughout life you will spend, borrow, save, and invest money. You will make economic decisions as a student, a worker, an investor, and a citizen. Each day you will make choices that affect your financial future. Achieving financial security involves planning and making sound financial choices. Sound choices include:

- Saving early and consistently
- Comparison shopping
- Developing a money management plan
- Increasing your education or training
- Learning how to use credit wisely

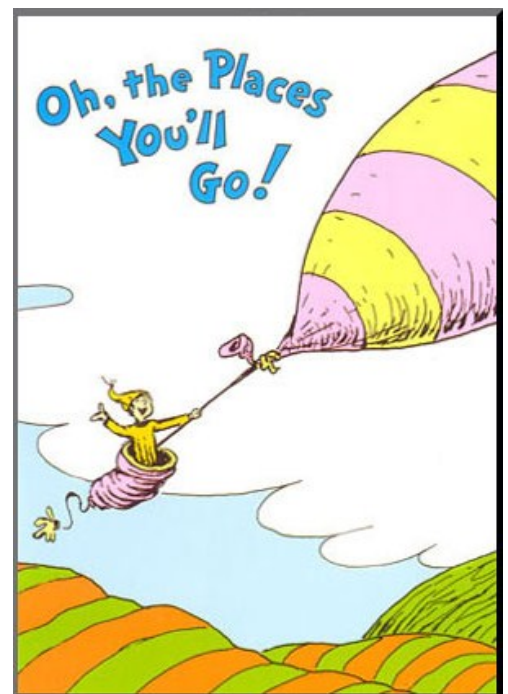
## Why is goal setting important?

Goals should reflect the person you are and what is important to *you*. Think of setting goals as determining the destination for your future. Goals help you focus your energy, time and financial resources as well as help you make informed decisions when unexpected situations arise. A goal should provide guidance and direction. Use the S.M.A.R.T. criteria below to put more detail into your goals.

- **S** Specific: Create a specific goal rather than a general one.
- **M** Measurable: Establish criteria for measuring progress towards each goal.
- **A** Attainable: Stay inspired to meet the goal by making it reasonable.
- **R** Realistic: Be *willing* and *able* to work towards the objective.
- **T** Time-based: Give the goal a deadline.

Put *money management* and *goal setting* together and you can become financially successful. Consider the keys to success as you read forward. Examples may include:

- Learning to manage money wisely
- Living within your means
- Being willing to work and sacrifice
- Taking the time to gather information before making decisions



Dr. Seuss. *Oh, The Places You'll Go*. 1990

# GOALS

Goals generally fall into one of two broad categories: **Short-term** and **Long-term**.

**Short-term goals** are often achieved in the near future (in a day, a week, or within a few months). Some examples of short term goals are:

- Paying off a debt
- Putting money in a saving account
- Completing a class with a high grade



**Long-term goals** are achieved over a longer period of time (one year, five years, or twenty years). Some examples of long term goals are:

- Graduating from college
- Buying a home
- Living debt free

Short and long term goals complement each other. The completion of short term goals will give you the momentum and motivation to accomplish your long term goals.

**What are your future goals?**  
**Do you have educational goals? Do you have financial goals?**

List some future goals that you may have. They may include:

- Education or training you would like to obtain
- A job you would like to be employed in
- A house you would like to live in
- A car you would like to drive
- A location you would like to live

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

Have you thought about how you will accomplish these goals and the financial resources that will be required?

*Continue reading and we will show you the way to manage money wisely so you can accomplish your goals.*



# Section: 1

## Beginning Money Management

## Beginning Sound Money Management Practices

**How are you managing the money you earn now? Take a quick self-assessment.**

- |            |           |  |
|------------|-----------|--|
| <b>Yes</b> | <b>No</b> | Are you consistently placing money into savings?   |
| <b>Yes</b> | <b>No</b> | Do you plan your purchases before you make them?   |
| <b>Yes</b> | <b>No</b> | Have you determined how much it will cost to attend a college, university, community college, or trade school? |
| <b>Yes</b> | <b>No</b> | Have you developed a plan to pay for this additional schooling?  |
| <b>Yes</b> | <b>No</b> | Are you saving money to purchase a car?  |
| <b>Yes</b> | <b>No</b> | Have you researched the costs of owning and operating a car?   |
| <b>Yes</b> | <b>No</b> | Do you know what costs are associated with having a credit card?   |
| <b>Yes</b> | <b>No</b> | Do you know what deductions are taken out of a paycheck and why?   |

⇒ If you answered **YES** to most of these questions, you are well on your way to being financially responsible. The following information will help you continue to make smart financial choices.

⇒ If you answered **NO** to most of these questions, now is the time to use the following information to become financially savvy.



# Steps to Managing your Money

## ☆ First – Open a Savings Account

### How does a savings account work?

A savings account allows a person to deposit their money in a bank account and earn interest on the cash held in the account. Placing money into savings should be the first thing you do when earning income. Money placed in a savings account is less accessible than cash in your pocket and can help you spend your money wisely. The money in your savings account may be used for emergencies or planned expenses (such as college costs).

**Experts say that working adults should put at least 10% of their monthly gross income into a savings account.**

The chart below shows how your savings can grow with regular monthly deposits. The amount of interest earned varies depending on the financial institution.

Interest Rate	Monthly Deposit	Amount in savings account after:			
		1 Year	2 Years	3 Years	4 Years
0%	\$20	\$240.00	\$480.00	\$720.00	\$960.00
0%	\$40	\$480.00	\$960.00	\$1,440.00	\$1,920.00
0%	\$60	\$720.00	\$1,440.00	\$2,160.00	\$2,880.00
0%	\$100	\$1,200.00	\$2,400.00	\$3,600.00	\$4,800.00
0%	\$200	\$2,400.00	\$4,800.00	\$7,200.00	\$9,600.00
2%	\$20	\$242.21	\$489.31	\$741.40	\$998.58
2%	\$40	\$484.42	\$978.63	\$1,482.80	\$1,997.16
2%	\$60	\$726.64	\$1,467.94	\$2,224.21	\$2,995.74
2%	\$100	\$1,211.06	\$2,446.57	\$3,707.01	\$4,992.90
2%	\$200	\$2,422.12	\$4,893.13	\$7,414.02	\$9,985.79
5%	\$20	\$245.58	\$503.72	\$775.07	\$1,060.30
5%	\$40	\$491.15	\$1,007.44	\$1,550.13	\$2,120.60
5%	\$60	\$736.73	\$1,511.16	\$2,325.20	\$3,180.89
5%	\$100	\$1,227.89	\$2,518.59	\$3,875.53	\$5,301.49
5%	\$200	\$2,455.77	\$5,037.18	\$7,750.67	\$10,602.98



# Managing Your Money, cont...

## ☆ Next — Open a Checking Account

### How does a checking account work?

A checking account allows a person to deposit their money in a bank account and withdraw it at any time to buy things and pay bills. A checking account is a convenient way to keep money secure, and can help you control spending. The bank can issue you checks, a debit card, and/or an ATM card.

- Checks—Paper checks are used to make purchases or pay bills.
- ATM (Automated Teller Machine) card—ATM cards allow you to access and withdraw cash from your bank account using an ATM when the bank is closed.
- Debit Card—Debit cards can be used in place of a check or an ATM card. You can use it to make purchases at a store or online, as well as to draw cash out of an ATM. Debit cards are not credit cards, but often have a credit card logo (such as Visa or MasterCard) on them. The funds come directly out of your checking account.

### Checking account tip:

Some banks charge fees on their checking accounts. Educate yourself on different banking institutions and types of accounts and choose the one that is best for you. Common types of accounts include:

**Flat-Fee:** Monthly fee charged regardless of balance.

**Per-Check:** Usually small monthly fee and per check fee. This would be a cost effective plan for individuals who write few checks.

**Interest bearing account:** Interest is paid if you maintain a minimum daily balance during the month.

**Free checking account:** No monthly service charges or per-item fees regardless of the balance or activity. Some banks will advertise a free checking account, then charge you fees. Read the fine print carefully.

**Joint checking account:** A checking account you hold with another person.

### How do you open a checking account?

After choosing the right banking institution, you can either go in to the bank or sign up online. You will need to take proper identification such as your driver's license or social security card to open the account.

# Managing Your Money, cont...

## ATM and Debit Cards:

ATMs (automatic teller machines) allow you to conveniently deposit, withdraw, transfer funds, and verify your account balance. Some banks will charge a fee if you use another financial institution's ATM. Be aware of how much those fees are. Many people do not take into consideration how quickly these fees add up over time.

- When using an ATM, you will be asked to enter your PIN. A PIN represents a personal identification number that is used to verify the identity of the cardholder. NEVER TELL ANYONE YOUR PIN AND DO NOT WRITE IT ON YOUR CARD! If you need to write it down, do so in a secure location.

**Never write a check or use your Debit/ATM card for more money than you have in your account.**

It is fraudulent to write bad checks and results in overdraft (additional) charges. If the check was written to a business, they may also charge you a fee. Some banks offer overdraft protection or allow you to link your savings and checking accounts to avoid the overdraft fees.

## Balance your checking account as often as possible.

It is very important to know how much money you have in your account at all times. This will keep you from spending more than you have and will alert you to any unauthorized transactions in your account. Most banks offer online banking which makes balancing your checking account much easier.

### *A true story....*

*A college student was about to leave campus for Spring break. According to his checking account register, he had about \$23 in his account. Using his debit card, he filled his car with \$21 worth of gas. About a week later, he received a notice in the mail stating that he had overdrawn his account. This surprised him since he carefully tracked his ATM withdrawals & the checks he wrote. The student went online to determine why he was overdrawn, after all he should have about \$2 left shouldn't he? He discovered that in using his debt card in a previous transaction in an ATM that was not operated by his bank, he was charged \$3 by his bank, in addition to the \$1.50 fee from the ATM. His overdraft charge was \$30 plus an additional \$7.50 per day for each day he was overdrawn. Since the bank had mailed the letter and did not call, he was now overdrawn by 5 days.*

# Checking Account

The example below shows you how to properly fill out a check. The information in black is pre-printed on the check and the items in blue are what you will need to complete when writing the check. Checks should always be written in pen and blank checks should be stored in a secure location.

<b>John and Jane Doe</b> <b>1234 Financial Road</b> <b>Somewhere, MT 59444</b>	<b>5261</b>  Date <u>08/28/12</u>
<u>Joe's Groceries</u> <b>PAY TO THE ORDER OF</b>	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b>\$ 50.47</b> </div>
<u>Fifty dollars and 47/100</u> ————— <b>DOLLARS</b>	
<b>Hometown Bank</b> <b>323 Main</b> <b>Somewhere, MT 59444</b>	
<b>Memo</b> <u>Cat food and shoes</u> :123456789:5555555555":	<u>Jane Doe</u> 05261

When depositing money into your checking account, you may be required to complete a deposit slip. The example below shows how to complete a deposit slip. Items in black are pre-printed information and items in blue are what you would need to complete. Each check needs to be recorded separately, endorsed, and have your account number written on it. You must sign the deposit slip if you are receiving cash. Deposits may not be posted to your account immediately.

Deposit Slip																									
<b>John and Jane Doe</b> <b>1234 Financial Road</b> <b>Somewhere, MT 59444</b>  Date <u>August 18,</u> <u>2012</u>  Sign here for cash received. _____  <b>Hometown Bank</b> <b>323 Main</b> <b>Somewhere, MT 59444</b>  :123456789 :5555555555":	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"><b>CASH</b></td> <td style="width: 15%; text-align: right;">159</td> <td style="width: 15%; text-align: right;">50</td> </tr> <tr> <td><b>CHECKS:</b></td> <td></td> <td></td> </tr> <tr> <td><u>Scholarship</u></td> <td style="text-align: right;">225</td> <td style="text-align: right;">50</td> </tr> <tr> <td><u>Parents</u></td> <td style="text-align: right;">115</td> <td style="text-align: right;">00</td> </tr> <tr> <td><b>TOTAL FROM OTHER SIDE</b></td> <td></td> <td></td> </tr> <tr> <td><b>TOTAL</b></td> <td style="text-align: right;">500</td> <td style="text-align: right;">00</td> </tr> <tr> <td><b>LESS CASH RECEIVED</b></td> <td></td> <td></td> </tr> <tr> <td><b>NET DEPOSIT</b></td> <td style="text-align: right;">500</td> <td style="text-align: right;">00</td> </tr> </table>	<b>CASH</b>	159	50	<b>CHECKS:</b>			<u>Scholarship</u>	225	50	<u>Parents</u>	115	00	<b>TOTAL FROM OTHER SIDE</b>			<b>TOTAL</b>	500	00	<b>LESS CASH RECEIVED</b>			<b>NET DEPOSIT</b>	500	00
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<b>TOTAL</b>	500	00																							
<b>LESS CASH RECEIVED</b>																									
<b>NET DEPOSIT</b>	500	00																							

# Checking Account Register

The checking account register is a record of deposits and withdrawals from a checking account. The register is the key to monitoring the current balance in your checking account. It is *your* responsibility to know how much you have in your account. Each time you write a check, use your ATM/Debit card or deposit money into your account, record it immediately in your checking account register. Below is an example of a checking account register with transaction entries.

## Tips for the checking account register:

### ATM/Debit Card Activity:

The available balance stated on your ATM receipt is rarely accurate. You must keep an updated check register to know your available balance at all times.

### Fees:

When using an ATM that is not operated by your bank, you may be charged a fee by the bank *and* the ATM operator. Be sure to accurately record all transaction fees.

Most banks charge fees for various transactions; for example, a bank may charge \$1 to \$3 for each ATM transaction. Some charge a fee if your balance drops below a certain amount or if you order paper checks.

## Checking Account Register

Check Number	Date	Transaction Description	Payment Amount	✓	Fee	Deposit Amount	BALANCE
	08/18	Deposit				500.00	
							500.00
5261	08/28	Joe's Groceries	50.00				50.00
							450.00
5262	09/01	Town Cafe	4.50				4.50
							445.50
5263	09/15	Jake's Car Wash	8.00				8.00
							437.50
	09/18	Deposit				180.00	180.00
							617.50
ATM	09/17	ATM withdrawal	20.00		2.00		22.00
							595.50
	09/17	Check Card- ABC Clothing	45.00				45.00
							550.50
	09/17	Ordered box of checks			20.00		20.00
							530.50

# Balance Checking Account

Each month your bank will send you a “Statement of Account” or you may access this information on-line. This is a listing of all the activities on your account that have been reported to the bank. This statement is used in conjunction with your checking account register to determine if your account is in balance. See example below.

STATEMENT OF ACCOUNT				Hometown Bank	
Statement Period 08/17/12 to 09/17/12					
Account Number 5555555555					
John and Jane Doe					
Current Balance:		\$378.50			
Deposits:	08/18/12	\$500.00			
Withdrawals:					
Checks: 5261	08/30/12	\$50.00	Other Withdrawals:		
5262	09/03/12	\$4.50	09/17/12	ATM	\$20.00
			09/17/12	ATM Fee	\$ 2.00
			09/17/12	Debit: ABC	\$45.00

## STEP 1:

To balance (or reconcile) your checking account, first compare the bank statement to your checking account register to ensure all information is the same on both.

Check Number	Date	Transaction Description	Payment Amount	✓	Fee	Deposit Amount	BALANCE
	08/18	Deposit		✓		500.00	
							500.00
5261	08/28	Joe's Groceries	50.00	✓			-50.00
							450.00
5262	09/01	Town Cafe	4.50	✓			-4.50
							445.50
5263	09/15	Jake's Car Wash	8.00				-8.00
							437.50
	09/18	Deposit				180.00	+180.00
							617.50
ATM	09/17	ATM withdrawal	20.00	✓	2.00		-22.00
							595.50
	09/17	Check Card- ABC Clothing	45.00	✓			-45.00
							550.50
	09/17	Ordered box of checks			20.00		-20.00
							530.50



# Balancing Checking Account, cont...

## STEP 2:

Use the simple steps below.

Enter the current balance shown on the statement of account.	<b>\$378.50</b>
<b>ADD</b> any deposits listed in your <b>checking account register</b> that ARE NOT on the statement of account.	<b>+ \$180.00</b>
<b>Subtotal</b>	<b>\$558.50</b>
<b>SUBTRACT</b> any checks, ATM/Debit card withdrawals, or fees listed in your <b>checking account register</b> that ARE NOT on the statement of account.	<b>- \$8.00</b> <b>- \$20.00</b>
<b>BALANCE:</b> This amount should equal what is shown in your checking account register. If it does not, then your account is out of balance.	<b>\$530.50</b>



### What should you do if your account is out of balance?

1. Check your math
2. Check your Statement of Account for items you may not have entered into your checkbook register
3. Recheck the entries in your checking account register  
Did you transpose numbers?  
Did you record the wrong amount?
4. Call your bank

**Helpful Hint:** Keep a budgeted amount of cash on hand to use for small purchases because it is easier to balance your checking account if you do not write a check or use your ATM/Debit card for small purchases. To set up your budget go to [www.mus.edu/Prepare](http://www.mus.edu/Prepare).

# Paychecks

## How much will your paycheck really be?

Before you begin planning how you will spend your paycheck, realize that deductions will be taken out. There are two types of deductions, mandatory and optional.

- **Mandatory** deductions include federal, state, or local income taxes and FICA (Social Security and Medicare tax).

How do employers determine how much to withhold? When accepting a job your employer will require you to complete a W-4 Form (Employee's Withholding Allowance Certificate). The information you provide tells them how much to withhold from your pay.

- **Optional** deductions include life insurance, disability insurance, medical insurance, retirement, and charitable contributions.

To assist with your budget (Section 2), deposit your paycheck into your checking account in order to have a record of your income. Your employer may have a direct deposit option. With this option, your paycheck is automatically deposited into your account and you will not receive a paper check.

## GROSS PAY vs. NET PAY:

Gross pay is the amount you earn before deductions are taken out.

$$\text{Wages per hour} \times \text{number of hours worked} = \text{Gross pay}$$

Net pay is the amount you take home after deductions.

$$\text{Gross pay} - \text{deductions} = \text{Net Pay}$$



# Increasing Your Gross Pay

Have you thought about how you can increase your earnings over time? One of the best ways to increase your gross pay is by obtaining additional education or training. Think about occupations you may enjoy and the training or education they require.

- ✕ Do you know what the fastest growing occupations are? Do you know what they pay?
- ✕ What type of education or additional training will assist you in obtaining a job you will enjoy?

To find answers, visit: [www.mus.edu/Prepare](http://www.mus.edu/Prepare) and [www.census.gov](http://www.census.gov).

## Keep in mind....

The more education an individual receives, the higher their average income will be. You are more likely to have job stability and a higher annual wage as your education increases.

### Yearly Earnings vs. Education Obtained:

Education Obtained	Median Earnings	Unemployment Rate
9th—12th	\$23,452	14.1%
H.S. Diploma	\$33,176	9.4%
Associate Degree	\$39,936	6.8%
Bachelor Degree	\$54,756	4.9%
Master's Degree	\$65,676	3.6%
Doctorate Degree	\$79,664	2.5%

Note: The median is the middle number after all of the data has been placed in numerical order. Information was collected from the Bureau of Labor Statistics based on March 2012 State Occupational Employment and Wage Estimates.

# Researching Careers

How does a person choose a career? First, you must examine your likes, dislikes, strengths, and weaknesses; then find a career that fits you. How do you do that? The answer is **research!**

## Step 1: Internet Research

There is an abundance of information about careers and the internet is an excellent source. You can find information about virtually any career path that interests you. Listed below are a few sites that might be helpful.

- Montana University System [www.mus.edu/Prepare](http://www.mus.edu/Prepare)
- Montana Career Information System <http://mtcis.intocareers.org>
- ACT Career Planning [www.actstudent.org/www](http://www.actstudent.org/www)
- Career Resource Library [www.acinet.org/acinet/crl/library.aspx](http://www.acinet.org/acinet/crl/library.aspx)
- Occupational Outlook Handbook [www.bls.gov/oco](http://www.bls.gov/oco)

## Step 2: Interview

Sometimes researching a career is not enough to give you the “whole picture” of what that job entails. The next step is to talk to someone who is already in the field. Check your community for someone who has the job you are considering and interview him/her. A few sample questions may be:

- What is the job really like?
- What types of skills or qualities would you need to perform the job?
- What are the educational or training requirements necessary to be employed in that field?
- What do they like and dislike about their job?
- What are their suggestions for someone interested in going into their field?

## Step 3: Job Shadow

Try to schedule a time for job shadowing. Job shadowing is an activity where an individual spends time with a worker on the *job*, observing actual workplace tasks in order to explore a potential career interest. Firsthand experience at the job might help you determine if you still want to pursue that career.

*One last piece of advice... Don't be afraid to change your mind! Research all of the careers that interest you. It may take a while to find the one right for you.*

# Earning Power

It is no secret that education and training will increase your earning power. Start by finding a career that you will enjoy. Next research the education and training that is needed. Finally consider the salary for that career. Here are a few questions to ask yourself when exploring careers:

- ✗ What am I interested in?
- ✗ How much education do I need?
- ✗ What are my strengths and weaknesses?
- ✗ Where do I want to live?
- ✗ Can I obtain employment in my field of study?

Occupation	Years of Higher Education Needed	Degree Needed	Average Salary in Montana*
Baker	2	Associate	\$23,060
Licensed Practical Nurse	2	Associate	\$36,160
Paralegal	2	Associate	\$38,290
Surveyor	2	Associate	\$59,930
Graphic Designer	2	Associate	\$38,570
Diesel Mechanic	2	Associate	\$38,860
Elementary Teacher	4	Bachelor	\$43,750
Accountant	4	Bachelor	\$57,830
Computer Programmer	4	Bachelor	\$63,250
Air Traffic Controller	4	Bachelor	\$69,370
Environmental Engineer	4	Bachelor	\$69,770
Registered Nurse	4	Bachelor	\$60,190
Attorney	4+	Graduate School	\$75,730
Architect	4+	Graduate School	\$61,510
Dentist	4+	Graduate School	\$119,590
Family Practitioner	4+	Graduate School	\$154,210
Pharmacist	4+	Graduate School	\$102,320
Veterinarian	4+	Graduate School	\$60,590

Note: These salaries do not include bonuses or benefits. Information obtained from the Montana Department of Labor & Industry's publication: *Montana Informational Wage Rates by Occupation 2010*.



# Section: 2

# Budgeting

# Starting Your Budget

**Budgeting is more than simply adding your expenses for the month and subtracting from your income. It's about learning how to prepare and plan for the future.**

**Start your budget today!**

**Step 1: Start your budget by reviewing your past spending.** If you have a checking account, use your checking account register to analyze your income and expenses for the past six months. If you do not have a checking account, begin tracking your expenses and income.

**Step 2: Collect all sources of income.** Include all sources of income: job wages, financial aid funds, work-study funds, parental contributions. This is your monthly income.

**Step 3: Collect expenses information.** Gather all expenses: receipts, bills, and credit card statements. You may want to separate them into variable and fixed expenses. Fixed expenses are expenses that do not change from month to month (ex. rent, car payment); variable expenses are expenses that can differ from month to month (ex. fuel, groceries). Next, list the types of expenses under each category but avoid grouping similar items together. For example, separate your groceries from the cost of dining out. List your power and phone bills separately, don't use a broad heading such as utilities.

**Step 4: Subtract your monthly expenses from your monthly income.** What did you notice about the result? Do you have a budget deficit (not enough money) or a budget surplus (extra money)?

**Once you have taken a look at your past spending habits, you can begin to plan for the future.**

- If you've been coming out ahead each month, excellent! How is your savings account? Experts recommend 10% of your monthly gross income be deposited in your savings account. This is one important piece of the budgeting process that tends to be ignored. **Not having a savings account is the fastest way to ruin even the best budget!** If you are unprepared for the unexpected, you may quickly find yourself facing financial trouble. Having money in a savings account may assist in preparing you for situations such as car trouble or unexpected medical emergencies.
- If you are having trouble covering your expenses or are covering your expenses but have nothing in savings, it's time to examine where your money is going. How can you cut back or adjust your spending? Sometimes, it is a matter of identifying and monitoring small daily habits to find ways to save money.

# Sample High School Budget Form

Visit [www.mus.edu/Prepare](http://www.mus.edu/Prepare) to start your budget now!

The example below will give you an idea of the types of items you may want to include in your high school budget.

HIGH SCHOOL BUDGET	
<b>Income:</b>	
⇒ <i>Net Salary/Paycheck</i>	_____
⇒ <i>Allowance</i>	_____
⇒ <i>Other</i>	_____
<b>Total Income</b>	_____
<b>Expenses:</b>	
• Food/Drinks/Snacks	_____
• Car Payment	_____
• Car Insurance	_____
• Gas	_____
• CDs/Music/iTunes	_____
• Entertainment/Hobbies	_____
• Clothing/Shoes	_____
• Make-up/Grooming Items	_____
• Movies	_____
• Cell Phone	_____
• Video Games	_____
• School Supplies	_____
• Books/Magazines	_____
• School Activities	_____
• Other	_____
• Savings	_____
<b>Total Expenses &amp; Savings</b>	_____
<b>BUDGET SHORTAGE OR SURPLUS</b>	_____
(Income — Expenses)	

# Review and Revise Your Budget

After you create your budget, you may give a sigh of relief and think you'll never have to do that again; however, your needs and goals will change over time, so you should periodically review and revise your budget.

As time goes by new items may be added to your expenses, such as retirement accounts or day care. A budget should not be set in stone but be used as a guideline to control your spending. If you need help to determine the effectiveness of your budget, ask a trusted individual to analyze it and provide suggestions.

## WHAT CAN I DO TO DECREASE MY EXPENSES?

### Pop:

Bottle = \$1.75 each  
 $\$1.75 \times 30 \text{ days} = \$52.50 \text{ a month}$   
vs.  
 $\$4.00/6\text{-pack} \times 5 = \$20.00 \text{ a month}$

**Savings = \$32.50/month**



### Coffee:

1 Latte/day = \$3.50  
30 days/month = \$105.00  
vs.  
1 Latte/week = \$3.50  
4 Lattes/month = \$14.00

**Savings = \$91/month**

It is not always necessary to eliminate items from your budget, instead find cost effective alternatives. Can you think of other ways to decrease your expenses and increase your savings?

***Goal of Budgeting: Live within your means and be personally responsible!***

# Budgeting & College

What changes are on the horizon for your financial future as you enter college? How will you adjust your budget? What financial decisions will you need to make?

If you don't have a budget during your college years, you may tend to spend big, start using credit cards, and stop putting money into savings. **An estimated 39% of all college students graduate with unmanageable debt!** College should be fun, but don't let the decisions you make negatively affect your financial and social freedom after graduation.

## Adjusting your budget:

1. Revise your sources of income to include your financial aid package. Will you use money from your savings?
2. Are you eligible for work study or will you have a job?
3. Use the budget tool on [www.mus.edu/Prepare](http://www.mus.edu/Prepare) to track the amount you receive in scholarships, grants, loans, and work study. This information helps keep your school loans at a manageable level.
4. The amount that your parents contribute to your education is a source of income.
5. Revise your expenses. You need to include tuition, books and other educational expenses.
6. Will you be able to afford a vehicle at school?
7. How often will you be traveling home?
8. Determine where you will be living and what expenses will be associated with your location.

## Living arrangements:

Once in college, many students want to live off campus. The benefit of staying on campus is that all of your room and board expenses are paid at the beginning of each term. If you choose to live off campus, there are numerous considerations and responsibilities you assume.

## Questions to ask before deciding to live off campus:

1. Am I going to live by myself or will I have roommates? What are some considerations that should be taken into account before deciding on roommates?
2. What is the difference between renting and leasing? Would I consider a year lease or would I prefer a monthly commitment?
3. What utility bills will I need to pay?
4. What type of heat is there and is it separate from the rent?
5. How does the cost of living off campus compare to living on campus?
6. Is there public transportation available to school and work from where I am considering living?



# Sample College Budget Form

The form below will give you an idea of the types of items that may be included in your college budget on [www.mus.edu/Prepare](http://www.mus.edu/Prepare).

COLLEGE BUDGET	
<b>Income:</b>	
⇒ <i>Net Salary/ Paycheck</i>	_____
⇒ <i>Financial Aid</i>	_____
⇒ <i>Loans</i>	_____
⇒ <i>Grants/ Fee Waivers</i>	_____
⇒ <i>Scholarships</i>	_____
⇒ <i>Work-Study</i>	_____
⇒ <i>Parent Contribution</i>	_____
⇒ <i>Savings</i>	_____
⇒ <i>Other</i>	_____
<b>Total Income</b>	_____
<b>Expenses:</b>	
• Tuition	_____
• Textbooks	_____
• Computer	_____
• Supplies	_____
• Room & Board	_____
• Cell Phone	_____
• Internet	_____
• Food/Drinks/Snacks	_____
• Car Payment	_____
• Car Insurance	_____
• Gas	_____
• CDs/Music	_____
• Entertainment/Hobbies	_____
• Clothing/Shoes	_____
• Make-up/Grooming Items	_____
• Movies	_____
• Books/Magazines	_____
• School Activities	_____
• Other	_____
<b>Total Expenses &amp; Savings</b>	_____
<b>BUDGET SHORTAGE OR SURPLUS</b>	_____
(Income — Expenses)	_____

# Saving Money While in College

It is very easy to fall into the habit of spending money and using credit cards while you are in college. Staying out of debt in college will help you maintain a better financial outlook when you start the career that **you worked to obtain**. A few suggestions on how to keep your spending under control are:

- \$ **If you don't need it, don't buy it.** Don't spend your money on items that you want. Save your money for items you need and emergencies that pop up.
- \$ **It is not recommended that college students have credit cards.** If you do decide to get a credit card go to [www.mus.edu/Prepare](http://www.mus.edu/Prepare) for information needed to make sound decisions about using credit cards.
- \$ **Minimize the amount of driving you do.** Use public transportation, bike, walk, or car pool to keep transportation costs down.
- \$ **Roommates are a great way to minimize your expenses.** Choose your roommates wisely. To protect yourself, make sure all of their names are on your common household bills.
- \$ **Control the amount you spend on your phone.** If you have a cell phone, shop around for the plan that is the most affordable and minimize the options that you pay for. To avoid paying for more minutes on your cell phone, use email or social media (Facebook, Twitter, etc.) to communicate with friends.
- \$ **Plan ahead for your classes and buy used or rent textbooks.** By purchasing books early, you are more likely to have access to used books and can save yourself hundreds of dollars in the course of the year when compared to new books. Another great idea is to find someone who was in the class the semester before you and offer to buy their book. There are many great websites to rent textbooks at a fraction of the cost of new.
- \$ **Look for free events.** Many campuses have free or minimal cost activities for students. These may include concerts, plays, or sporting events. You could also look into intramural activities that are available.
- \$ **Minimize the number of times that you eat out.** Use your college meal plan or look for affordable meals you can cook at your dorm or apartment. Purchasing items when they are on sale will also assist in minimizing the cost of your food.
- \$ **See if your library has a video section.** This will save the cost of renting a movie or going to the theatre. If you wish to go to the theatre, attend the matinee and minimize the amount of items you purchase.
- \$ **Maintain an accurate checking account register.** Those who live on a tight budget are LESS likely to bounce checks. These fees add up very quickly.
- \$ **Always carry your student ID.** Some stores and restaurants offer discounts with your student ID. Be sure to ask.

# Sample Form After Completing School

Once you have completed school, you will once again need to revise your budget. How will your sources of income and your expenses change? Notice the difference in expenses from former budgets. If you do not know your net pay, estimate that 30% of your gross income will be taken out due to deductions.

MONTHLY BUDGET	
<b>Income:</b>	
⇒ Net Salary / Paycheck	_____
⇒ Other	_____
<b>Total Income</b>	_____
<b>Expenses:</b>	
⇒ Fixed Expenses (expenses that are consistent each month)	
• Rent/ Mortgage	_____
• Car Payment	_____
• Insurance Payment	_____
• Student Loans	_____
⇒ Flexible expenses (amount varies from month to month)	
• Food	_____
• Power	_____
• Cell Phone	_____
• Clothing	_____
• Gas	_____
• Cable/Internet	_____
• Car Maintenance	_____
• Doctor	_____
• Dentist	_____
• Medicine	_____
• Hobbies	_____
• Laundry	_____
• Pet Care	_____
• Hair Care	_____
• Vacations	_____
• Savings	_____
<b>Total Expenses &amp; Savings</b>	_____
<b>BUDGET SHORTAGE OR SURPLUS</b>	_____
(Income — Expenses)	

# Being Money Wise

## COMMON MISTAKES YOUNG ADULTS MAKE WITH MONEY

- \$ Buying items on credit ... and paying extra in interest
- \$ Getting too deep in debt
- \$ Paying bills late and tarnishing their credit report
- \$ Having too many credit cards
- \$ Not watching expenses
- \$ Not having money in savings
- \$ Paying too much in fees
- \$ Not taking responsibility for their finances

Source: FDIC Consumer News

## KEYS TO A FINANCIALLY SUCCESSFUL FUTURE:

1. Set Goals
2. Budget
3. Borrow Smart
4. Beware of Credit Cards
5. Spend Smart

Gary Becker (1992 Nobel Memorial Prize in Economic Science):

“Gaining a high school and college education raises a person’s income even after taking out the direct costs (e.g., tuition & books) and the indirect costs (e.g., income that could have been earned while in school) of getting an education. High school and college education raises a person’s income regardless of intelligence or family wealth.”

# Section: 3

## Credit & Credit Cards



# All About Credit

## What is Credit?

Credit is a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at a later date. It allows you to buy now with the promise of paying later. Credit comes in several forms. By understanding how each type of credit works, you will learn to manage credit successfully.

## Types of Credit

### 1. Loans

Loans let you borrow money that must be repaid with interest. You can obtain a loan for a specific purpose, such as financing a new car, paying college tuition, or buying or renovating a home. Loans are generally divided into two types: secured and unsecured.

- **Secured loans** are guaranteed by collateral, which is an item of equal or greater value than the amount of the loan, such as a car, home or cash deposit.
- **Unsecured loans** do not require collateral and are made based on your credit score and ability to repay.

### 2. Installment Loans

Installment loans are made for a fixed amount at the time of your application and approval. This type of loan is repaid in fixed monthly payments over a specific period of time. The interest charges are included in the payments. Auto loans and mortgages are examples of installment loans.

### 3. Credit Cards

Credit cards are perhaps the most common type of personal credit. Unlike installment loans, credit cards allow repeated transactions up to a maximum credit limit, also known as your available credit limit. Each time you charge something, you are borrowing the money until you pay it back. If you decide to pay the money back over time, the credit card company adds interest charges to your account. Each month, you will pay a calculated amount until the borrowed amount is paid in full.



# Vehicle Loans: Plan Before You Buy

An effective money management skill is to determine the short term and long term effects on your budget before purchasing a large item such as a car. Being able to afford the monthly payment isn't enough. You also need to consider the long term costs such as insurance, gas, registration, maintenance, etc. How will they fit into your budget? Two useful resources are [www.edmunds.com](http://www.edmunds.com) and [www.aaa.com](http://www.aaa.com).

If the interest rate is 7.5%, you put \$1000 down and you get a 5 year loan, what is your monthly payment for this truck? **\$614.00**

Insurance  $\approx$  \$135/month  
Registration  $\approx$  \$30/month  
Gas  $\approx$  \$210/month  
Maintenance, repair, warranty  $\approx$  \$85



2012 Dodge Ram 2500 Laramie  
\$43,550

Total per Month to Drive This Truck  $\approx$  **\$1075**

If the interest rate is 7.5%, you put \$1000 down and you get a 5 year loan, what is your monthly payment for this car? **\$222.00**

Insurance  $\approx$  \$84/month  
Registration  $\approx$  \$16/month  
Gas  $\approx$  \$88/per month  
Maintenance, repair, warranty  $\approx$  \$68



2012 Dodge Avenger R/T  
\$22,480

Total per Month to Drive This Car  $\approx$  **\$490**

Source: AAA of Montana. Amounts are based on a 5 year average.

**Which one of these vehicles would be the best fit for your budget?**

# Car Buying Tips

## What information should you research before buying a vehicle?

- ✗ What can I afford? New or used?
- ✗ What is the car worth?
- ✗ What are the benefits of paying cash vs. financing?
- ✗ What is the interest rate on the loan?
- ✗ What is the length of the loan?
- ✗ What is the amount of the finance charge?
- ✗ Can you obtain a better interest rate or a lower finance charge if you choose a different lender?

## When buying a car what price should be negotiated, the monthly payments or the total price of the car?

One of the first questions that a salesperson could ask is, “*What can you afford as a monthly payment?*” It is in your best interest not to answer this question. Always discuss the actual cost of the vehicle. A salesperson could raise the selling price of a vehicle to meet your monthly payment request. If you have done your research you will know what the payment will be on a variety of loan amounts and interest rates.

## Bring another trusted individual with you.

They can keep you focused on what type of car you are looking for and the amount that will comfortably fit into your budget. You will be less likely to make impulsive decisions that you will regret later.



vs.



## EXTRA MONEY

If you decide to purchase the Dodge Avenger vs. the Dodge Ram 2500, what could you do with the \$7,020 that you save each year over the five year period?

Could you pay off your student loan within the 5 years?

$$\$7,020 \times 5 \text{ years} = \$35,100$$

# Credit Cards

## What is a Credit Card?



A credit card is a card issued by a bank or business to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services later. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance.

Credit cards bill monthly, with a grace period built in that lets the consumer borrow short term credit between the time they make the purchase and when it is due. If balances are carried over from month to month the user will be charged interest.

Credit cards are a form of borrowed money. Each time you use a credit card, you are using **money that you will have to pay back later with interest.**

## What is Interest?

Interest can be earned or paid out, and it is always a percentage of the original amount of money involved in the transaction. *Interest paid* is the amount that a bank charges you for borrowing their money.

*Simple interest:* Simple interest is when interest can only be earned on the amount borrowed or invested (this amount is called the principal).

*Compound interest:* Compound interest is calculated not only on the money originally invested, but also on the accumulated interest.

## What should you know before obtaining and using a credit card?

- ✖ What is the interest rate?
- ✖ What is the annual fee?
- ✖ What is the late fee?
- ✖ What is the over-the-limit fee?
- ✖ Do they offer a grace period?
- ✖ What is the credit limit?

# Credit Cards

Credit cards are easy to use because they give you instant buying power for items you may not otherwise be able to obtain; and because of this people can find themselves in debt quickly if they don't have a plan. Credit card interest rates are typically very high and may range from 12% to 23%. The longer you take to pay the money back, the more interest you pay on the money you borrowed. Credit cards should be used only for purchases that can be paid in full at the end of the month as you can see in the examples below.

## The High Cost of Credit Cards...

You buy a flat screen TV at the local electronics store with a credit card.

⇒ Initial cost	=	\$3,500
⇒ Interest rate on credit card	=	21%
⇒ Minimum monthly payment	=	\$80.00

How long does it take you to pay off the TV  
making ONLY the MINIMUM monthly payment? 84 months

How much do you pay for the flat screen TV with interest? **\$6,480**

If you pay twice the minimum payment, \$160, you will have the flat screen TV paid in 28 months and end up paying \$4,450. This is a savings of **\$2029**.

NOTICE: if you pay the TV in FULL once you receive the bill you will only pay the initial cost of \$3,500.

# Rule of 72

The Rule of 72 is a quick way of estimating when you will have paid twice the principal amount or earned twice that amount.

Simply divide 72 by the annual interest rate. The result will tell you the approximate number of years it will take for the principal to double.

EX: **Interest rate on your credit card is 20%**  
 **$72 / 20 = 3.6$**

**In about 3.6 years, you will have paid twice as much for the item.**

# A Comparison of Two Cards

## Student Credit Card Introductory Rates

<b>INTEREST AND FEE CHARGES</b>	<b>CITICARD</b>	<b>Discover</b>
Introductory APR*	0.00%* (7 months)	0.00%* (9 months)
Introductory Balance Transfer APR	0.00% for 15 months	0.00% for 18 months
Annual Fee	\$0	\$0
Grace Period	Not less than 20 days	Not less than 20 days

## Reality Check (After the 6-month Introductory Period)

<b>INTEREST AND FEE CHARGES</b>	<b>CITICARD</b>	<b>Discover</b>
APR after Introductory Period**	12.99%-22.99%	10.99%-20.99%
APR on Cash Advances	25.24%	17.99%-23.99%
Fee for Cash Advances	5% of each transaction Minimum of \$10	5% of each transaction Minimum of \$10
Balance Transfer Fees	4% of amount (\$5 minimum)	5% of amount (\$10 minimum)
Late Payment Fee	\$15 (up to \$100 bal.) \$29 (\$100-\$250) \$39 (\$250 & over)	\$19 (up to \$250) \$39 (\$250 & over)
Over the Limit Fees	\$39	\$35

\*APR - Annual Percentage Rate

\*\*Subject to change.

Note: These cards are offered on approved credit. This information was obtained June 2012 and is subject to change at any time.



# Controlling Credit Card Usage

**Credit cards don't put people in debt, people do.** Credit cards are not bad, but using them incorrectly can significantly impact your financial future. To minimize the dangers to your financial health; choose your cards wisely, think twice before using them, and **DON'T CARRY A BALANCE.**

If your credit card doesn't help you save money or provide a useful reward at no cost to you, don't use it. There are plenty of places where your credit card will come in handy - just be sure that you don't let the cost of this convenience get out of hand.

## What are some red flags that you are misusing your credit card?

- You pay only the minimum due on each account.
- You use one credit card to pay another.
- You are consistently charged fees (late, over-the-limit, cash advance).
- You have reached the credit limit.
- You rely on your credit card to buy groceries.
- You are losing sleep.
- You are hiding your spending habits.

## How can you control your credit card use?

- Don't keep them readily accessible.
- Set a maximum balance that's well below what the card issuer allows.
- Never use your credit cards as an extension of your paycheck.
- Keep low limits.
- When your credit card company offers to raise the limit, decline the offer.
- Don't think of your credit cards as an emergency fund.
- Pay your card balance off in full each month.

## How can you I determine how long it will take to pay off my credit card?

If you are carrying a balance on your credit card, use the credit card calculator on [www.mus.edu/Prepare](http://www.mus.edu/Prepare). You will be prompted to enter the balance, interest rate, and minimum payment. Then it will calculate the total interest you will pay and the length of time until your card is paid in full. You may want to determine the amount of money saved by doubling or tripling the minimum payments.

# Credit Reports

## What is Credit?

Credit is your reputation as a borrower. It tells others how likely you are to repay your loans. Credit is made up from information about your borrowing history. Most of the information comes from your credit reports.

## What is a Credit Report?

A credit report is a record of your personal credit history. A credit report contains information about your borrowing history and is created by a credit bureau. A credit bureau is a company that collects your payment history from creditors, lenders, utilities, debt collection agencies, and courts. They report how much you've borrowed, how you've repaid, and other details about your borrowing behavior.

## Where can you obtain a copy of your Credit Report?

- ✖ Equifax: [www.equifax.com](http://www.equifax.com)
- ✖ Experian: [www.experian.com](http://www.experian.com)
- ✖ TransUnion: [www.transunion.com](http://www.transunion.com)
- ✖ A free credit report is available through [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com)

## What is on my Credit Report?

Your credit report will include personal identifying information such as your:

- ✖ Personal Information (name, social security, address)
- ✖ Public record information (bankruptcy, liens, etc.)
- ✖ Accounts Summary/loans (outstanding balances, credit limits, payment history)
- ✖ Employment history
- ✖ Inquiries
- ✖ Negative Items

It may also include a FICO® score. Your three-digit FICO® score ranks you based on the risk involved in lending you money.

- ✖ **Good Credit Risk:**  
This rating can lower interest charges on new loans and typically shortens the loan application process.
- ✖ **Average Credit Risk:**  
The loan application process may take longer because they will need to verify your income and assets.
- ✖ **Poor Credit Risk:**  
May be denied loans and credit cards, be asked to provide a cosigner, or be required to pay a higher interest rate. Scores in this range tend to make the credit process lengthy and complicated.

The rating scale may vary between agencies. If you have **No Credit**, it means there is no record of your ability to repay a loan. More information on scores and credit scoring can be found online at [www.mus.edu/Prepare](http://www.mus.edu/Prepare).

# Sample Credit Report

## *Credit R Us*

**Prepared for:** Suzy Shopper

**Report number:** 111111111111

**Report date :** August 4, 2012

### **Information affecting your creditworthiness**

Items listed with dashes before and after the number, *for example -1-*, may have a potentially negative effect on your future credit extension and are listed first on the report. Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit accounts listed later in this report. *Important decisions about your creditworthiness are based on the information in this report. You should review it carefully for accuracy.*

### **Your statement**

At your request, we've included the following statement every time your credit report is requested. *"My identification has been used without my consent on applications for credit. Please call me at 999.999.9999 before approving credit in my name."*

### **Public record information about you**

**-1-**

*Source/Identification number :* **HOLLY DIST CT**

305 MAIN STREET  
HOLLY NJ 08060

*Location number :* B312P7659

*Date filed/Date resolved :* 3-2003/NA

*Responsibility :* Joint

*Claim amount/ Liability amount :* \$3,756/ NA

*Comments:* Status: civil claim judgment filed. Plaintiff: Dime Savings. This item is scheduled to continue on record until 3-2013. This item was verified on 8-1997 and remained unchanged.

**-2-**

*Source/Identification number :* **FIRST CREDIT UNION**

78 MONTANA AVE  
MY TOWN, NJ 06362

*Location number :* 129474

*Date opened/Reported Since:* 3-2001/ 3-2002

*Date of Status/Last Reported:* 11-2011/11-2011

*Credit Limit/ High Balance :* \$17,856/NA

*Type/ Terms/ Monthly payments:* Installments/48 months/\$420

*Recent Balance/Recent Payment:* \$0 as of 4-2012/\$420

*Status:* Open/Never late

# Sample Credit Report

## 3-in-1 Credit Report

Lenders usually check your 3-in-1 Credit Report, the most complete picture of your credit history available. With data provided by all three national credit bureaus—Experian, Equifax, and TransUnion—you'll know the full story.

### Find out what personal information the credit bureaus have in your file.

- Make sure all three credit bureaus are reporting your correct name, address, and employer.
- Watch out for incorrect addresses—this may be a sign that an identity thief has redirected your mail to a false address.

	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
<b>Name:</b>	<b>SAMPLE REPORT</b>	<b>SAMPLE REPORT</b>	<b>SAMPLE REPORT</b>
<b>Birth:</b>	1957	09/01/1957	09/01/1957
<b>Current Address:</b>	9213 WEST MAIN ALLEN, CA 93120	212 W 18TH ST NEW YORK, NY 39120	2645 15TH ST ST 2 NEW YORK, NY 95901
	Date Reported: 12/04/1993	Date Reported: 01/01/1997	Date Reported: 06/21/1996
<b>Current Employer:</b>	ADVANTIS INDUST	ADVANTIS INDUSTRIAL	GREGHOLM METAL
	Date Reported:	Date Reported:	Date Reported:

### Understand your credit file with an easy-to-read summary of your report.

- See all of your essential credit report information at-a-glance.
- Make sure all three credit bureaus are reporting accurate information.
- Watch out for inaccuracies that could negatively impact your credit standing.

<b>Total Accounts</b>	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
Count	4	5	6
Balance (\$)	972	1989	1773
Payment (\$)	27	64	44
Current	2	3	4
Delinquent	2	2	2
Derogatory	0	0	0
<b>Account Summary</b>	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
Open Accounts	20	28	12
Closed Accounts	13	18	13
Public Records	0	0	0

### Get detailed information about all of your loans and credit card accounts.

- Is the account open or closed?
- What is your monthly payment?
- What is your total balance?
- What is your maximum limit?
- Have you ever had any late payments?
- Make sure the information is accurate and up-to-date, consistent between bureaus.
- Watch out for accounts that are not familiar—these could be accounts that were opened fraudulently in your name.

	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
<b>Account No.</b>	668466062****	668466062****	6684660****
<b>Type:</b>	Mortgage Real Estate	Real estate	Real estate
<b>Condition:</b>	Open	Closed	Open
<b>Responsibility:</b>	Joint	Joint	Joint
<b>Pay Status:</b>	Current	Current	Current
<b>Balance and Limit:</b>	39273	38046	0
<b>Experian</b>	OK OK OK OK OK OK OK OK OK OK OK OK		
<b>TransUnion</b>	OK OK OK 30 60 OK OK OK OK OK OK OK		
<b>Equifax</b>			30

# Sample Credit Report

## 3-in-1 Credit Report Continued....

### Discover who's been looking at your credit report.

- ▶ Make sure you've authorized all of the inquiries.
- ▶ Watch out for names of companies that are not familiar—if you haven't authorized the inquiry, it may be a sign of fraud.
- ▶ Note: When you personally check your credit report with TrueCredit.com, the inquiry that is recorded *will not* adversely affect your credit standing.

Creditor Name	Date of Inquiry	Credit Bureau
CENTRAL INDUSTRIAL FINANCIAL	05/15/1998	TransUnion
NAUTILUS FINANCIAL	03/02/1998	Equifax
UNIVERSAL CREDIT	03/02/1997	TUC
SYSTEMATICA INS CO	03/31/1995	Experian

### Get contact information for all of your creditors.

- ▶ Use the addresses and phone numbers to contact them in case you identify issues that need to be resolved.

Creditor Name	Address	Phone Number
CENTRAL INDUSTRIAL FINANCIAL	1200 E 25TH ST NEW YORK, NY	(890) 555-1234
OCTANT	2259 W 17TH ST FREMEN, OH	(605) 345 - 2335
GESCOMMUNIVAR COMM	RR 3 POB 681 ROSWELL, NM	By Mail Only



# Credit Score at a Glance

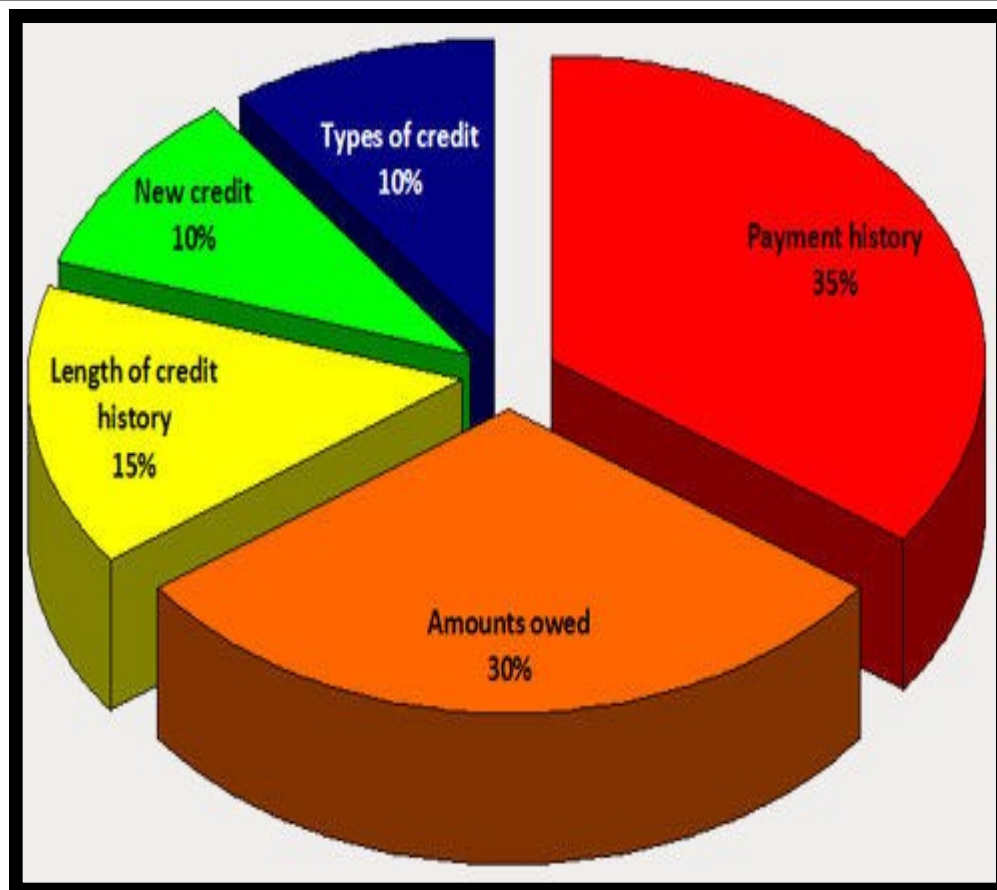
## What is a Credit Score?

### A Credit Score:

- Is a number that summarizes your credit risk, based on a snapshot of your credit report at a particular point in time.
- Helps lenders evaluate your credit report and estimate your credit risk.
- Influences the credit that's available to you and the terms (interest rate, etc.) that lenders offer you.
- Is a vital part of your credit health.
- Is based on a variety of information and calculations.

*\*Below is a chart of the items that factor into the calculation.*

- *Understanding how credit scoring works can help you manage your credit health.*





# Maintaining Good Credit

Once you have built an excellent credit history, the trick is to keep your good score so you can get credit at low interest rates when you need it. Your credit report is continually being updated and your score changes to reflect new information. Therefore, if you would like to keep your credit score from dropping, you need to continue adding good credit history and avoid missteps that will hurt your credit score.



## How can I maintain a good credit history?

- ✓ Always pay your bills on time.
- ✓ Never borrow money you can't comfortably pay back.
- ✓ Borrow only what you need and know how much you owe.
- ✓ Contact lenders immediately if you expect to have a payment problem.
- ✓ Limit your applications for new credit.
- ✓ Check your credit at least once a year.
- ✓ Create a budget to manage your expenses and stick by it.

# Improving Credit

Writing bad checks, making late payments, and overextending your credit are all recorded on your credit report. That negative information could prevent you from renting, leasing or buying a home or car. It can also be used by prospective employers to gauge personal characteristics about you. In general, negative information will stay on your credit report for seven to ten years.

## Steps to Improve Your Credit

### 1. Pay Your Bills on Time or Build Strong Payment Patterns

- Make it your personal goal to pay your credit and other obligations on time and for the required amount each month.  
*\*\*\* Take advantage of automatic payments and other online bill payment options offered by lenders and credit card issuers. This will ensure timely payments every month.*
- If you forget to make a payment, act promptly and call the bill servicer to notify them that your payment will be sent immediately. If you act fast enough, this negative infraction may not be reported to credit agencies.
- Make sure you do not ignore any creditor notices of non-payment. Contact the creditor to fix the problem as soon as possible. Even if you have already incurred penalties, you may be able to get the creditor to remove or correct these issues.

### 2. Maintain only a Few Credit Cards

- As your credit rating improves, you will soon receive pre-approved offers from credit card companies and lenders with attractive rates and programs. Maintaining a large collection of cards can hurt your credit rating.

### 3. Limit the Number of Outstanding Loans

- Excessive loan balances (especially loans that exceed your Debt-to-Income ratios) can affect your credit rating.
- Maintaining a good credit rating requires that you reduce your debt holdings by paying off outstanding debts.

# Improving Credit Cont.

## Steps to Improve Your Credit

### 4. Avoid Charging Close to Your Credit Line Limit

- Using your credit up to your maximum credit line balance can impact your credit rating. Many lenders consider this a great risk and may not approve you for additional credit.

### 5. Review Your Credit Report Annually

- About 1-in-4 credit reports have errors.
- Your credit report also maintains records on your employment, salary, bank accounts, etc. You should review your report annually for errors and make the necessary corrections as instructed by the credit agency.

### 6. Limit Inquiries on Your Credit Report

- Every time you apply for credit a credit inquiry will be made on your report. Multiple inquiries over a short period of time may have a negative impact on your credit score, so limit credit inquiries.

*Multiple lenders may compete for your loan*

\*\*\*Inquiries coming from multiple lenders within 20-30 days of each other, indicate that you are shopping for the best deal. Credit agencies will count these inquiries as being only one inquiry. This allows you to shop and negotiate the best deal without being penalized on your credit report.

### 7. Be Alert to New Credit Card Rules

- While you are taking positive steps to get out from under your credit card debt, pay attention to new rules that are designed to provide credit card protections to consumers.
- Become a knowledgeable consumer and know what your rights are.

# Debt

Debt is the amount you owe, whether it's to a bank, a credit card company, etc. The more debt you have, the more money you'll need to make each month to cover all of your payments. Limit the amount of debt you have by minimizing the dollar amount you buy on credit, the number of loans you obtain, and by following a budget. Keeping your debt low is the key to maintaining a positive financial outlook.

## Typical college graduate:

Consider the typical college student who graduates with \$3,071 in credit card debt and approximately \$23,000 in student loans (average debt amount in Montana). If they needed to maintain three months of payments in their savings account on only these two items, how much would that be?

Minimum credit card payment + Student loan payment

$$\$61.42 + \$265.00 = \$326.42 / \text{month}$$

$$\text{Amount in savings: } \$291.58 \times 3 = \$979.26$$

Now consider how much you would need if you have a car loan and a mortgage.

# Make Good Choices

## Do you know?

- \$ Credit card companies target college students.
- \$ Many students do not monitor their spending and find themselves with a large amount of debt very quickly.
- \$ Most of these students can barely afford the minimum payment each month. Since most of their cash is spent making the payment, in turn they charge more on their card for items they "need."

*Graduating from college with a minimum amount of debt  
will greatly increase your standard of living !*

# A college Story.....

Amy worked hard to graduate from high school and get into college. Her parents generously agreed to send her an allowance, so a part time job was not necessary and Amy could concentrate on her studies. Life was good! Soon Amy started receiving credit card offers in the mail and since her friends told her she should have a credit card for emergencies, Amy went ahead and signed up for one.

Soon after, Amy's friends were heading out for a ski trip and although Amy didn't have any cash, she decided to join them. She figured she can charge everything on her new credit card and her friends could give her cash for their portion. Amy thought it wasn't a big deal, she would just pay it off once her parents sent her allowance. The next week, Amy went shopping with her friend. She spotted a winter coat that she needed for walking around campus in the cold weather. She didn't have any cash; so again, Amy charged it to her credit card. A month later, Amy received her credit card statement and saw it had over \$500 worth of charges. The minimum payment due was \$25, so Amy sent in \$100 and felt pretty good about herself. Spring break arrived and Amy's friends were heading to Mexico for five days. Again Amy didn't have enough cash to pay for everything, so she charged her plane ticket and motel to her credit card.

By the end of the school year, Amy has managed to charge over \$3000 on her credit card that was supposed to be for emergencies. Amy had fallen into the habit of paying only the minimum payment each month.

**Do you know anyone who has been in this situation or one that is similar?**

This is why it is important to carefully plan your budget while you are in college and live within your means.

Set up your budget at [www.mus.edu/Prepare](http://www.mus.edu/Prepare) today.



*Which direction would  
you like your financial  
future to go?*

# Section: 4

## Higher Education & Financial Aid



# Montana Colleges & Universities

School	Location	Type of School
University of Montana	Missoula	4 Year
Missoula College University of Montana	Missoula	2 Year
Bitterroot College University of Montana	Hamilton	2 Year Program
Helena College University of Montana	Helena	2 Year
Montana Tech of the University of Montana	Butte	4 Year
Highlands College of Montana Tech	Butte	2 Year
University of Montana Western	Dillon	4 Year
Montana State University	Bozeman	4 Year
Gallatin College Montana State University	Bozeman	2 Year
Montana State University Billings	Billings	4 Year
City College at Montana State University Billings	Billings	2 Year
Montana State University Northern	Havre	4 Year
Great Falls College Montana State University	Great Falls	2 Year
Dawson Community College	Glendive	2 Year
Flathead Valley Community College	Kalispell	2 Year
Miles Community College	Miles City	2 Year
Aaniih Nakota College	Harlem	Tribal College
Blackfeet Community College	Browning	Tribal College
Chief Dull Knife	Lame Deer	Tribal College
Fort Peck Community College	Poplar	Tribal College
Little Big Horn College	Crow Agency	Tribal College
Salish Kootenai College	Pablo	Tribal College
Stone Child College	Box Elder	Tribal College
Carroll College	Helena	Private College
University of Great Falls	Great Falls	Private College
Rocky Mountain College	Billings	Private College

**For more information on each campus, including tuition costs, please visit:**

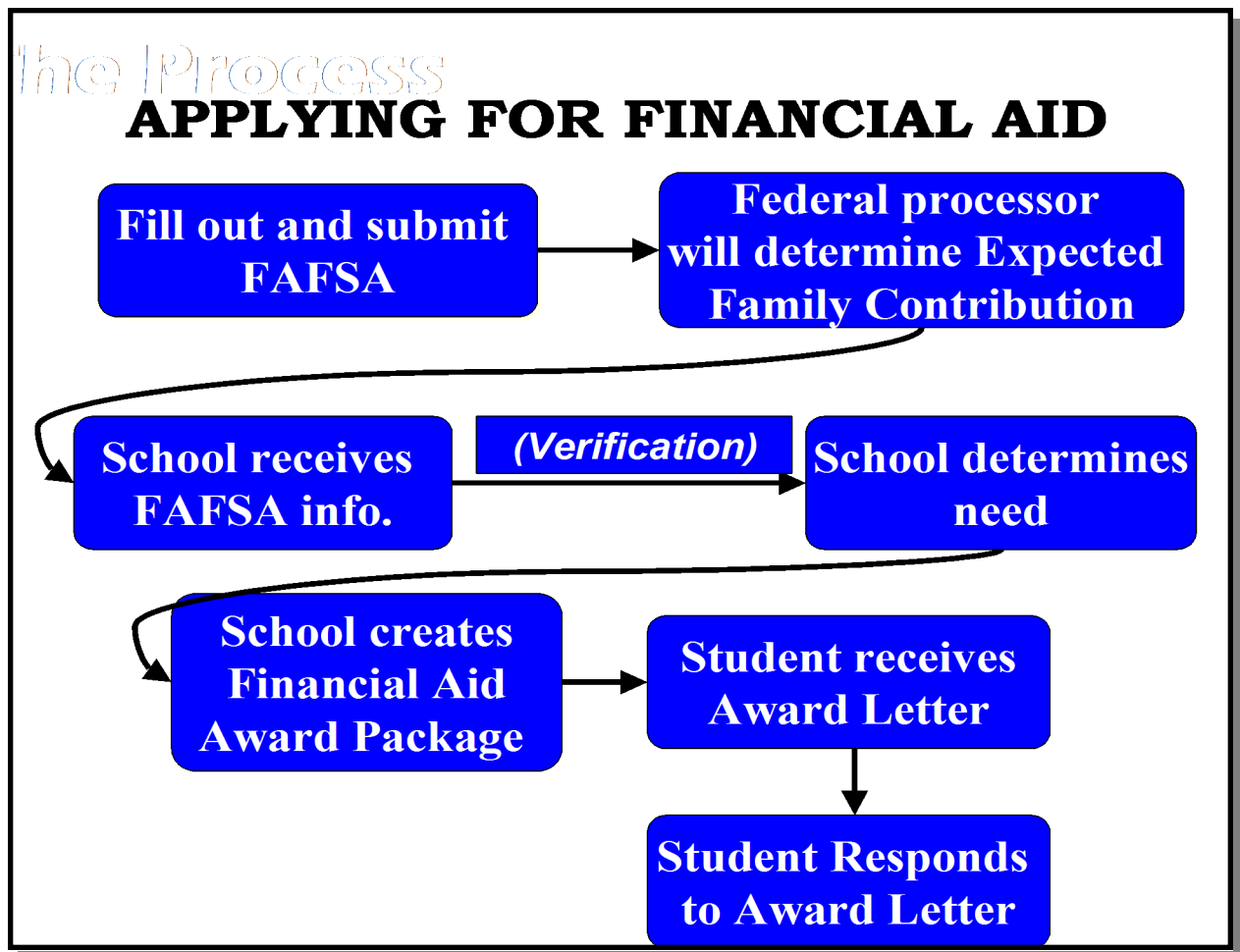
**[www.mus.edu](http://www.mus.edu)**

# Quick Guide

What types of financial aid are available and in what order are they awarded?

1. Scholarships and Fee Waivers
2. Grants
3. Work-Study
4. Student Loans: Subsidized, Unsubsidized, Perkins, Parent PLUS

How do you receive financial aid?



# FAFSA

[www.fafsa.ed.gov](http://www.fafsa.ed.gov)

The Free Application for Federal Student Aid (FAFSA) is used to determine your eligibility for Federal Student Aid. It is also used by some states and schools to determine eligibility for programs they offer. To receive federal student aid all the following requirements must be met:

- ✖ Be a citizen or eligible non-citizen of the United States with a valid Social Security Number
- ✖ Register (or have registered) for Selective Service (required for male students)
- ✖ Have a high school diploma or GED certificate
- ✖ Attend a participating school (a school that receives Title IV aid)
- ✖ Enroll in an eligible program as a regular student seeking a degree or certificate
- ✖ Make satisfactory academic progress
- ✖ Don't have any drug convictions
- ✖ Don't owe a refund on a federal grant or be in default on a federal education loan

The information and documents you'll need to complete the FAFSA are:

- ✖ Social Security Number
- ✖ Driver's License Number (if any)
- ✖ Current W-2 Forms and any other records of money earned
- ✖ Current Federal Income Tax Return
- ✖ Parent's current Federal Income Tax Return (dependent students)
- ✖ Current untaxed income records - Social Security, Temporary Assistance to Needy Families, Public Assistance, or Veterans Benefits Records
- ✖ Current bank statements
- ✖ Current business and investment mortgage information, business and farm records, stock, bond, and other investment records
- ✖ Alien registration card (if you are not a U.S. citizen)

The best way to complete your FAFSA is online because it decreases the processing time and the information can easily be transferred to your renewal FAFSA in future years. To sign your application online or to check on the status, you will need a FAFSA PIN number. You can get a PIN number by choosing the option "Register for a PIN" on the home page at [www.fafsa.ed.gov](http://www.fafsa.ed.gov) or go to [www.pin.ed.gov](http://www.pin.ed.gov).

*Note: The FAFSA is free and you should NEVER pay any fee to complete it.  
To avoid scams it is recommended that you use the official FAFSA site [www.fafsa.ed.gov](http://www.fafsa.ed.gov).*

Visit [www.mus.edu/Prepare](http://www.mus.edu/Prepare) for all your financial aid questions.



# The FAFSA Cont...

[www.fafsa.ed.gov](http://www.fafsa.ed.gov)

## Don't miss the deadline!

In Montana the priority consideration deadline ranges from February 15<sup>th</sup> to March 1<sup>st</sup>. Check [www.mus.edu/Prepare](http://www.mus.edu/Prepare) for your school's specific priority deadline. Some forms of financial aid are limited and are awarded on a *first-come- first-serve* basis. You may be eligible for free aid if you submit your FAFSA early. You cannot submit the FAFSA before January 1<sup>st</sup>. If you or your parents have not completed your taxes for the year, you may use estimated amounts then make corrections to your FAFSA at a later date.

## How long does it take to complete the FAFSA?

If you are prepared, it should take no more than an hour. Here are some quick tips to help you get prepared:

- ✖ Plan ahead Gather the information you need ahead of time. Gather all of the documents we listed earlier and have them ready. Register for your PIN number and don't lose it.
- ✖ Complete the FAFSA step by step You can save the FAFSA at any time and go back to it if needed. Once you save your information you have 45 days to complete the rest of the application and submit it.
- ✖ Select a college If you are undecided about which school you wish to attend, you may list up to ten schools on the FAFSA.

## What happens after you submit the form?

- ✖ You should receive a Student Aid Report (SAR) shortly after filing the FAFSA. If you do not, go back to the FAFSA website and check the status of the application to see if there are errors. Typically, you will not need to do anything with the SAR other than include it in your records. **If there is an error or verification is needed, you may need to submit additional information.**
- ✖ The information from the form is compiled and sent to the schools you listed on the application.
- ✖ The schools you listed on the FAFSA will contact you for further information or with an award letter. The award letter states the type of aid you can receive and the amount of each award.

Note: You may receive award information from every school you list on your FAFSA. It is very important that you notify the schools you are not planning to attend and cancel your award!

# Types of Financial Aid

## Scholarships

Scholarships are a form of financial aid that does not need to be repaid. They are described in more detail on the following page.

## Grants

Like scholarships, grants are a form of financial aid that do not need to be repaid. Grants are typically awarded based on financial need. The most common grant available is the Pell Grant. Pell Grants are awarded based on the income information you and your parents provide on the FAFSA. Each school may have additional state and institutional grants that you may be eligible for.

## Fee Waivers

Some college fees, such as tuition or room and board, may be waived if you meet specific requirements. A few of the Montana fee waiver programs include:

- ◆ American Indian Fee Waiver
- ◆ Montana University System Honor Scholarships
- ◆ Honorably Discharged Veteran Fee Waiver

Information about these programs can be accessed through [www.mus.edu/Prepare](http://www.mus.edu/Prepare). Some colleges offer specific fee waiver programs designed for students attending their school. Check with the school you are planning to attend to see if there are any fee waiver programs that you would qualify for.

## Work Study

This is a program that is based on financial need. Through the work study program, students may work on their campus and receive a paycheck.

## Loans

There are a variety of federal and private loans available for college students. The loans are relatively easy to receive but unlike all of the options discussed above, they do have to be repaid... with interest! Federal loans are preferable to private or alternative loans because they typically offer better interest rates and repayment options.

# Scholarships

Scholarships are an excellent tool for paying some or all of your higher education. This money does not need to be paid back and will limit the amount needed in student loans. You do not have to be an all-star athlete or a 4.0 student to receive a scholarship. You could benefit by applying for all scholarships because you don't know how many people will apply or if they will fulfill the requirements. Each year millions of scholarship dollars go un-awarded because no one applied.

## Where do you look for Scholarships?

### ✖ The Montana University System Scholarships:

#### Governor's Best and Brightest Scholarship

The purpose of the Governor's "Best and Brightest" Scholarship Program is to provide Montana residents with greater access to Montana's universities and colleges; as well as Montana's tribal colleges. These scholarships are based on academic achievement and financial need. The goal of these scholarships is to relieve student debt burdens, allowing more Montanans to stay in the state upon graduation.

The Governor's Best and Brightest Scholarship Program is divided into three scholarships: High School MERIT scholarships, MERIT-AT-LARGE scholarships and NEED-BASED scholarships. Each scholarship is administered in a different way.

#### MUS Honor Scholarship

The MUS Honor Scholarship is a 4-year renewable scholarship, which waives the recipient's tuition when used at an eligible campus. Its average value at a 4-year Montana campus is \$4,000 a year or \$16,000 for four years. Up to 200 scholarships will be awarded annually (contingent upon continued funding of the program).

### ✖ Your Community:

Your school counselor should have a list of these scholarships. You have an increased chance of winning one of these because there is a smaller pool of applicants.

### ✖ Colleges:

Look at the school you are planning to attend. Some institutions have a general application that can be used for a variety of scholarships. Call the financial aid office or check the school's website. Once you have been assigned an advisor, ask them about specialized scholarships for your field of study.

### ✖ Internet:

There are a large number of websites that will assist in scholarship searches. We have provided a list below of reputable scholarship websites.

For more Scholarship information, please visit:

**[www.mus.edu/Prepare](http://www.mus.edu/Prepare)**

**NEVER pay for a scholarship search!  
If it is not free,  
it could be a scam.**

#### Check out these websites:

[www.mus.edu/Prepare](http://www.mus.edu/Prepare)  
[www.fastweb.com](http://www.fastweb.com)  
[www.collegeboard.com](http://www.collegeboard.com)  
[www.nationalmerit.org](http://www.nationalmerit.org)  
[www.gocollege.com](http://www.gocollege.com)  
[www.collegenet.com](http://www.collegenet.com)

# Student Loans

An important part of your financial aid package may be student loans. Student loans are designed to cover your college costs after all eligible scholarship, grant, work study, and fee waiver dollars have been awarded. First, look at federal student loans. In Montana there are two federal student loan programs; the **Perkins Loan Program** and the **William D. Ford Federal Direct Loan Program**.

## Federal Perkins Loans

- ✖ Perkins loans are low-interest loans for undergraduate and graduate students with financial need. Your financial need is determined by the information on your FAFSA.
- ✖ Your school is your lender.
- ✖ Funding for Perkins loans is limited so they are usually distributed on a first-come-first-serve basis.
- ✖ This is a 5% fixed rate loan. The government pays the interest while you are in school and you will begin paying it at the end of your grace period.
- ✖ Loan payments are deferred while you are in school at least half-time.
- ✖ Once you graduate, leave school, or drop below half-time you have a nine month grace period before payments start.

## Direct Loans

- ✖ Direct Loans are student loans for undergraduate and graduate students. Your eligibility is determined by the information supplied on your FAFSA.
- ✖ The Department of Education is your lender.
- ✖ Loan payments are deferred while you are in school at least half-time. You will receive a six month grace period before entering repayment.
- ✖ Subsidized student loans have the interest paid while you are in school while unsubsidized student loans do not.

## How do you apply for a student loan?

Accept your award letter. After submitting your FAFSA, you will receive an award letter with a list of the types and amounts of federal student loans you are eligible for. **Note: You do not have to accept the entire loan amount you are awarded.**

Complete a Perkins Loan Promissory Note. This is the legal loan document you must complete to receive your Perkins loan. Your school will either mail this form to you or have you complete the form in person at their financial aid office.

Complete an MPN for Direct Loans. The Master Promissory Note (MPN) is the legal loan document you must complete to receive a Direct loan. You may complete it online at [www.studentloans.gov](http://www.studentloans.gov).



# Direct Loans

There are four types of Direct loans:

**Direct Subsidized Loan:** Subsidized Stafford loans are based on financial need. These loans are deferred while you are in school, which means that you do not have to make payments provided you are attending school at least half-time (typically six credits). After you graduate or leave school, you will receive a six month grace period before beginning to make payments on these loans. The benefit is that while you are in school and during your grace period, the interest that accrues on these loans will be paid by the federal government. You are not responsible for the interest until the loan enters repayment.

**Direct Unsubsidized Loan:** Unsubsidized Stafford loans are not based on financial need. Payments are deferred while you are in school and you will receive a six-month grace period. Unlike the Subsidized Stafford loan, you are responsible for the interest while you are in school. The government does **not** pay the interest. You can make interest payments while you are in school if you choose to. If you do not make payments while you are in school, the interest will be added onto the principal balance of the loan when you enter repayment. This will increase your monthly payment at the end of your grace period.

**Parent PLUS Loan:** Parent PLUS loans are ones that your *parent* can apply for to cover the remaining cost of attendance after all other forms of financial aid have been awarded to you. PLUS loans are in your *parent's* name, not yours. These loans are *not* deferred while you are in school. Your parents will begin making payments as soon as the loan is fully disbursed.

**Grad PLUS Loan:** Grad PLUS loans can be obtained by graduate students after other types of financial aid have been awarded. Payments *may* be deferred while you are in school. There is no grace period for these loans.

## Dependent Students vs. Independent Students

For financial aid purposes you are considered a dependent student unless you meet one of the following:

- ⇒ You are at least 24 years old.
- ⇒ You are married.
- ⇒ You have children.
- ⇒ You are or were an orphan or ward of the court until you turned 18.
- ⇒ You are a veteran of the U.S. Armed Forces.
- ⇒ You are a graduate or professional student.

Under special circumstances you can appeal to the financial aid director of your school to petition for independent status.

# Direct Loans Cont...

## Yearly Loan Maximums

	Subsidized	Unsubsidized	PLUS
Freshman	\$3500	\$4000	up to cost of attendance
Sophomore	\$4500	\$4000	up to cost of attendance
Junior & Above	\$5500	\$7000	up to cost of attendance
Graduate Student	NA	\$10,000	up to cost of attendance

## Interest Rate

### For Current Interest Rate Information

for  
Subsidized Stafford Loans  
Unsubsidized Stafford Loans  
Parent or GRAD PLUS Loans

Refer to:

[www.studentloans.gov](http://www.studentloans.gov)

## Fees

Federal Default Fee 1%

Origination Fee

Direct Subsidized 1%

Unsubsidized Loans

Direct PLUS Loans 4%

## Stay in contact with your loan servicer!

It is your responsibility to always let your lender know of any change in your address, name, or telephone number.

## Repayment Terms

Must be repaid within 10 years.

Minimum monthly payment = \$50.

*See the estimated payment chart on page 51.*

**You must maintain Satisfactory Academic Progress at your school to maintain eligibility for student loans!**

*Check with your school to verify their guidelines!*

After you start making payments, if something happens and you can't continue making payments there are options to temporarily defer or postpone your monthly payments!

## Consequences of Defaulting on a Student Loan!

- ✖ Lose eligibility for financial aid
- ✖ Lose deferment eligibility
- ✖ Damaged credit report
- ✖ Collection costs (currently 25%)
- ✖ Wage garnishment
- ✖ Tax refund seizure
- ✖ Lose professional licenses
- ✖ Lose hunting license

**\* Note:** Student loans cannot be discharged through bankruptcy!

# Private Loans

If you find that the amount of Federal Student Aid you receive is not enough to cover your **educational** costs, applying for a private student loan is an option.

Private student loans are offered to students by individual lending institutions. Talk to your financial aid office for information on private loans.

**Some of the facts regarding private student loans are listed below.**

- ✘ They are credit based loans. They will look at your credit report to determine if you qualify for a loan.
- ✘ If you do not have any credit or insufficient credit, a credit worthy co-signer will be necessary.
- ✘ The interest rate on a private loan is based on your credit rating and the credit rating of your co-signer, if there is one. The interest rate on these loans is typically much higher than federal student loans.
- ✘ For most private loan programs, students attending two-year schools are not eligible.
- ✘ The fees vary from lender to lender.
- ✘ While most lenders offer flexible repayment plans, there are no deferment options for private student loans.
- ✘ All of the interest that accrues from the date the funds are sent to you is your responsibility.
- ✘ Not all lenders offer grace periods on private student loans.

***We strongly advise CAUTION when using private student loans to finance your education. The rules for private loans are outlined by each individual bank, and they DO NOT have the same advantages as federal student loans.***

# Estimated Student Loan Payment Chart\*

Total Amount Borrowed	4.00%	5.00%	6.00%	6.80%	7.00%	7.50%	8.00%	8.50%	9.00%
\$1,000	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$1,500	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$2,000	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$2,625	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$3,000	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$3,500	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
\$4,000	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.67
\$4,500	\$50.00	\$50.00	\$50.00	\$51.79	\$52.25	\$53.42	\$54.60	\$55.79	\$57.00
\$5,000	\$50.62	\$53.03	\$55.51	\$57.54	\$58.05	\$59.35	\$60.66	\$61.99	\$63.34
\$5,500	\$55.68	\$58.34	\$61.06	\$63.29	\$63.86	\$65.29	\$66.73	\$68.19	\$69.67
\$6,000	\$60.74	\$63.64	\$66.61	\$69.05	\$69.67	\$71.22	\$72.80	\$74.39	\$76.01
\$7,000	\$70.87	\$74.25	\$77.71	\$80.56	\$81.28	\$83.09	\$84.93	\$86.79	\$88.67
\$8,000	\$80.99	\$84.85	\$88.82	\$92.06	\$92.89	\$94.96	\$97.06	\$99.19	\$101.34
\$8,500	\$86.05	\$90.16	\$94.37	\$97.82	\$98.69	\$100.90	\$103.13	\$105.39	\$107.67
\$9,000	\$91.12	\$95.46	\$99.92	\$103.57	\$104.50	\$106.83	\$109.19	\$111.59	\$114.01
\$10,000	\$104.24	\$106.07	\$111.02	\$115.08	\$116.11	\$118.70	\$121.33	\$123.99	\$126.68
\$11,000	\$111.36	\$116.67	\$122.12	\$126.59	\$127.72	\$130.57	\$133.46	\$136.38	\$139.34
\$12,000	\$121.49	\$127.28	\$133.22	\$138.10	\$139.33	\$142.44	\$145.59	\$148.78	\$152.01
\$13,000	\$131.61	\$137.89	\$144.33	\$149.60	\$150.94	\$154.31	\$157.73	\$161.18	\$164.68
\$14,000	\$141.74	\$148.49	\$155.43	\$161.11	\$162.55	\$166.18	\$169.86	\$173.58	\$177.35
\$15,000	\$151.86	\$159.10	\$166.53	\$172.62	\$174.16	\$178.05	\$181.99	\$185.98	\$190.01
\$18,500	\$187.30	\$196.22	\$205.39	\$212.90	\$214.80	\$219.60	\$224.46	\$229.37	\$234.35
\$20,000	\$202.49	\$212.13	\$222.04	\$230.16	\$232.22	\$237.40	\$242.66	\$247.97	\$253.35
\$25,000	\$253.11	\$265.16	\$277.55	\$287.70	\$290.27	\$296.75	\$303.32	\$309.96	\$316.69
\$30,000	\$303.73	\$318.20	\$333.06	\$345.24	\$348.33	\$356.11	\$363.98	\$371.91	\$380.03
\$35,000	\$354.35	\$371.23	\$388.57	\$402.78	\$406.38	\$415.46	\$424.65	\$433.95	\$443.37
\$40,000	\$404.98	\$424.26	\$444.08	\$460.32	\$464.43	\$474.81	\$485.31	\$495.94	\$506.70
\$45,000	\$455.60	\$477.29	\$499.59	\$517.86	\$522.49	\$534.16	\$545.97	\$557.94	\$570.04
\$50,000	\$506.22	\$530.33	\$555.10	\$575.40	\$580.54	\$593.51	\$606.64	\$619.93	\$633.38

\*Based on a 10 - year repayment period. Minimum monthly payment is \$50.00; however, the minimum payment could be higher depending on total loan amount borrowed.

# Save Money On Your Student Loans

Student loans have become an essential part of financing a college education and can be an excellent tool for meeting your financial needs. To avoid student loans becoming a financial burden, here are a few suggestions:

**Borrow only what you need.** The more money you borrow the more you will owe and the higher your monthly payment will be. *See the estimated payment chart on page 51.*

**Keep track of your total loan amount.** Each time you accept a loan, track the total amount that you have borrowed by going to [www.mus.edu/Prepare](http://www.mus.edu/Prepare). Many financial difficulties arise from being caught off guard by the total balance of your loan when you enter repayment. Read all correspondence regarding your student loan.

**Make payments while in school.** This is not required but it can save you money. Here's why:

- ✖ If you have *subsidized* loans, any portion that you repay while you are in school will be interest free. Because you are not responsible for the interest that accrues while in school, any payments you send in will go directly towards the principal of your loan. This will lower the total amount you owe when you leave school.
- ✖ If you have *unsubsidized* loans you should try to at least pay the interest that is accruing on the loan. You are not required to make interest payments while you are in school, but any outstanding interest on a loan when you enter repayment will be capitalized. Capitalization is the process where lenders add the interest that has accrued to the principal balance and the account will then accrue interest on that higher principal balance. In essence you will pay interest on the interest.

**Make extra payments whenever you can.** By paying extra each month, you will reduce the total amount of interest you will pay over the life of the loan.

## Example:

An unsubsidized loan amount = \$4000  
Interest Rate = 6.8 %

Interest accrual per day on the loan = **\$.75**  
After four years total interest accrued = \$1,088

New loan amount after interest capitalized = \$5,088  
New interest accrual per day on the loan = **\$0.95**

To pay the interest on a monthly basis to prevent capitalization, it will cost \$22.50/month. This will save you hundreds of dollars over the life of the loan.

## I PLEDGE TO:

- \$ Set goals for the future.
- \$ Plan and stick to a budget.
- \$ Fill out the FAFSA early each year.
- \$ Make responsible & informed financial decisions.
- \$ Minimize my student loan debt.
- \$ Meet my credit obligations on time & as agreed.
- \$ Use credit responsibly.
- \$ Seek help if I am over-extended.

Pledged By: \_\_\_\_\_

Date: \_\_\_\_\_





**Montana University System**

**[www.mus.edu](http://www.mus.edu)**



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